

# **EXHIBIT E**



April 23, 2012

Iberdrola USA Management Corporation  
89 East Ave, 4th Floor  
Rochester New York 14649

Attention: Ms. Karen A. Jones

Ref: Rochester Gas & Electric Corporation  
Station 2 Hydroelectric Expansion Project  
Purchase Order 5000016885 Unit No. 2 Turbine-Generator Unit  
ANDRITZ Hydro letters dated Feb 13, 2009 and March 10, 2009

Dear Ms. Jones:

In reference to our discussions of December 6, 2011 we recognize that RGE may not be able to lift the contract suspension initiated in October, 2008 and proceed with the turbine generator equipment manufacturing until sometime in 2014. In light of that the following is proposed regarding how equipment costs and foreign currency hedging costs would be treated at the time suspension is lifted:

Escalation Formulas for Price Adjustment

The original contract price can be split into three major groups

Equipment Scope	\$5,263,020
Field Services	\$180,705
Spare Parts	<u>\$145,518</u>
TOTAL	\$5,589,243

For the purposes of this presentation we will address only the price adjustment of the equipment scope (\$5,263,020).

To date, RG&E has paid for engineering and partial manufacturing a total of \$1,392,315

The remaining balance (\$5,263,020 - \$1,392,315) of \$3,870,705 is distributed across the major equipment components as follows:

Turbine & HPU	\$2,144,719	55.4%
Generator	\$1,425,493	36.8%
Controls	<u>\$300,493</u>	<u>7.8%</u>
Total Remaining	\$3,870,705	100%



Escalation Formulas for Price Adjustment (continued)

Each of these will be subjected to their respective price adjustment formulas as follows:

**Remaining Turbine, Generator, HPU Scope -**

The portion of the contract scope representing the turbine, generator and HPU valued at the time of the suspension to be \$3,570,212 will be subject to adjustment upward at a rate of 0.4% per month starting from October, 2008. There may be additional price adjustments which can not be currently determined and may be due to causes such as changes in sourcing of bearings, forgings, castings and/or other specialty components. Pricing for these would be calculated and incorporated into the final price adjustment at the time the contract suspension is lifted.

**Remaining Controls Scope -**

The price for the controls scope would need to be completely revisited at the time the contract suspension is lifted. This is due to the fact that the subcontractor, Phoenix Power Control, Inc., which had done the controls design and was to provide the equipment has, subsequent to the suspension, been acquired by another firm. Since that time they have chosen to limit their participation in the US market and will not be available to provide the controls equipment scope for the Rochester Station 2 project. To replace Phoenix Power Control as the controls equipment supplier we propose to use HEMI Controls (a member of the Andritz family). Hemi Controls is a well established leader in the design and implementation of control, automation and protection systems for hydroelectric generation stations. A new proposal and price will be developed using HEMI Controls at the time the contract suspension is lifted.

Escalation Formulas for Price Adjustment (continued)

A lump sum re-mobilization fee of \$20,000 would also be applied at the time the suspension is lifted.

Field Services & Spare Parts are proposed to be recalculated and re-quoted at the rates and prices available at the time the contract suspension is lifted.



#### Currency Hedging Costs

In February 2008, hedging contracts were purchased for the Rochester project. These contracts related to the net balance of incoming and outgoing payments in USD and outgoing payments in Euros against our balance sheet currency, Canadian Dollar (CAD). At the time of the transactions, the USD/CAD rate was just over par and the EUR/CAD rate was approximately 1.46. Current rates are approximately 1.004 and 1.323 respectively.

Should RG&E elect to have ANDRITZ HYDRO maintain the hedging contracts currently in place until the suspension is lifted in 2014, there would be no additional estimated cost to rollover the hedges until that time.

Should RG&E elect instead to have ANDRITZ HYDRO immediately cancel the hedging contracts, the current real cost to Andritz Hydro is approximately \$30,000. This is an approximate cost based on current market rates and will fluctuate until the date actual instructions are given to cancel the contracts. As a general rule, as the USD improves against the CAD dollar, the cost increases. If the Euro improves against CAD dollar, it will decrease cancellation costs. Following the cancellation of the hedging contracts, the turbine scope will then require price adjustment not just due to the escalation formula above but additionally upon the currency exchange rates with the Euro at the time the suspension is lifted.

RGE should be aware that at the time of a future project restart ANDRITZ would also:

- 1) do rollover of any hedging in place based on the new contractual payment dates which would consider any changes in the interest difference between interest CAD - interest EUR
- 2) adjust the amount of hedging to the new contract value and supplier PO values, which can only be done at the prevailing exchange rate levels.

We believe it important that RGE understands and acknowledges that this extended contract suspension will have a significant impact on equipment pricing if and when the contract is resumed.



We look forward to further discussions with you in the upcoming weeks regarding how we are to proceed with this contract.

Very truly yours,

**ANDRITZ HYDRO Corp.**

A handwritten signature in black ink, appearing to read "Mark Barandy".

Mark Barandy

cc Pierre Duflon; ANDRITZ HYDRO Canada, Inc.